

UNIFIED SCHOOL DISTRICT NO. 109
BELLEVILLE, KANSAS

REPORT ON AUDIT
FINANCIAL STATEMENTS

JUNE 30, 2014

BRUNA AUDITING SERVICES LLC
DEREK BRUNA
CERTIFIED PUBLIC ACCOUNTANT
WASHINGTON, KANSAS

UNIFIED SCHOOL DISTRICT NO. 109
Belleville, Kansas

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BAS LLC
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Unified School District No. 109
Belleville, Kansas 66935

I have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Unified School District No. 109, as of and for the year ended June 30, 2014 and the related notes to the financial statement.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the Kansas Municipal Audit and Accounting Guide as described in Note A to meet the financial reporting requirements of the State of Kansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statement based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the *Kansas Municipal Audit and Accounting Guide*. Those standards require I plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note A of the financial statement, the financial statement is prepared by the Unified School District No. 109 to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note A and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In my opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Unified School District No. 109 as of June 30, 2014, or changes in financial position and cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In my opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Unified School District No. 109 as of June 30, 2014, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide described in Note A.

Report on Supplementary Information

My audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget, schedule of regulatory basis receipts and expenditures-agency funds are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the Kansas Municipal Audit and Accounting Guide. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note A.

The 2013 Actual column presented in the individual fund schedules of regulatory basis receipts and expenditures—actual and budget (Statement 3 as listed in the table of contents) is also presented for comparative analysis and is not a required part of the 2014 basic financial statement upon which we rendered an unmodified opinion dated November 10, 2014. The 2013 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration at the following link <http://da.ks.gov/ar/muniserv/>. Such 2013 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2013 basic financial statement. The 2013 comparative information was subjected to the auditing procedures applied in the audit of the 2013 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2013 basic financial statement or to the 2013 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2013 comparative information is fairly stated in all material respects in relation to the 2013 basic financial statement as a whole, on the basis of accounting described in Note A.

Bruna Auditing Services LLC



Derek Bruna, CPA

Washington, Kansas

November 10, 2014

**SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES,
AND UNENCUMBERED CASH**
Regulatory Basis
For The Year Ended June 30, 2014

Fund	Statement Number	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances & A/P	STATEMENT 1 Ending Cash Balance
General Funds:								
General Fund	3-1	\$	0	\$ 3,600,812	\$ 3,600,811	\$	11,171	\$ 11,171
Supplemental General	3-2	81,696	0	1,242,569	1,260,000	64,265	88,752	153,017
Special Purpose Funds:								
At Risk-(K 12) Fund	3-3	188,900	0	300,744	304,644	185,000	0	185,000
Capital Outlay Fund	3-4	949,428	0	752,195	873,124	828,499	37,550	866,049
Driver Training	3-5	16,194	0	6,810	5,800	17,204	0	17,204
Food Service Fund	3-6	84,033	0	280,268	292,288	72,013	14,547	86,560
Professional Development Fund	3-7	27,517	0	0	5,516	22,001	0	22,001
Parent Education Fund	3-8	0	0	7,700	7,700	0	0	0
Special Education Fund	3-9	373,439	0	785,795	798,557	360,677	0	360,677
Vocational Education Fund	3-10	98,986	0	60,000	78,438	80,548	0	80,548
Gifts and Grants Fund	3-11	8,011	0	21,375	23,857	5,529	0	5,529
Health Care Reserve Fund	3-12	32,381	0	0	10,859	21,522	0	21,522
Kpers Retirement Fund	3-13	0	0	265,323	265,323	0	0	0
Contingency Reserve Fund	3-14	371,235	0	0	12,233	359,002	0	359,002
Clearing Accounts Fund	3-15	0	0	20,908	20,908	0	0	0
Textbook Rental Fund	3-16	166,359	0	23,258	54,981	134,636	4,723	139,359
Title I Fund-Current	3-17	0	0	72,237	72,237	0	0	0
Title I Fund-Carryover	3-18	0	0	14,111	14,111	0	0	0
Teacher Quality Carryover	3-19	0	0	8,353	8,353	0	0	0
Title II A-Teacher Quality Fund	3-20	0	0	27,850	27,850	0	0	0
Federal Reap Fund	3-21	0	0	12,867	12,867	0	0	0
Bond and Interest Funds:								
Bond and Interest Fund	3-22	80,428	0	52,866	64,465	68,829	0	68,829
Total Reporting Entity (Excluding Agency Funds)		\$ 2,478,606	0	\$ 7,556,041	\$ 7,814,922	\$ 2,219,725	\$ 156,743	\$ 2,376,468

Composition of Cash

Money Market Accounts	\$ 2,783,554
Certificate of Deposit	0
Operating Accounts	(410,186)
Petty Cash	3,100
Total Cash Excluding Agency Funds	2,376,468

**REGULATORY - REQUIRED
SUPPLEMENTARY INFORMATION**

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET

Regulatory Basis

For The Year Ended June 30, 2014

STATEMENT 2

Fund	Statement Number	Certified Budget	Adjustments		Adjustments For		Total Budget For Comparison	Expenditures Chargeable To Current Year	Variance Over (Under)
			To Comply With Legal Max		Qualifying Budget Credits				
General Funds:									
General Fund	3-1	\$ 3,719,406	\$ (118,594)	\$ 0	\$ 3,600,812	\$ 3,600,811	\$ (1)		
Supplemental General	3-2	1,260,000	0	0	1,260,000	1,260,000	0		
Special Purpose Funds:									
At Risk (K-12)	3-3	360,200	0	0	360,200	304,644	(55,556)		
Capital Outlay	3-4	875,000	0	0	875,000	873,124	(1,876)		
Driver Training	3-5	9,000	0	0	9,000	5,800	(3,200)		
Food Service	3-6	334,850	0	0	334,850	292,288	(42,562)		
Professional Development	3-7	12,500	0	0	12,500	5,516	(6,984)		
Parent Education Program	3-8	7,700	0	0	7,700	7,700	0		
Special Education	3-10	904,957	0	0	904,957	798,557	(106,400)		
Vocational Education	3-11	102,800	0	0	102,800	78,438	(24,362)		
Gifts and Grants	3-12	0	0	0	0	23,857	23,857		
Kpers Retirement	3-15	272,673	0	0	272,673	265,323	(7,350)		
Bond and Interest Funds:									
Bond And Interest	3-15	64,466	0	0	64,466	64,465	(1)		
TOTALS		\$ 7,923,552	\$ (118,594)	\$ 0	\$ 7,804,958	\$ 7,580,523	\$ (224,435)		

SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET
Regulatory Basis
For The Year Ended June 30, 2014
(With Comparative Actual Totals for Prior Year Ended June 30, 2013)

STATEMENT 3-1

	<u>GENERAL FUND</u>			
	Prior Year Actual Transactions	Statutory Transactions	Current Year Budget	Variance Over (Under)
Statutory Receipts				
Taxes in Process	\$ 21,428	\$ 16,811	2,688	\$ 14,123
Ad Valorem Property Tax	645,939	688,358	670,703	17,655
Delinquent Tax	8,149	4,096	13,520	(9,424)
General State Aid	2,553,557	2,435,322	2,511,175	(75,853)
Recreational Vehicle Tax	0	0	0	0
Other Revenue	347	430	0	430
Transfer	0	0	0	0
Ed Jobs Fund	0	0	0	0
Special Education Aid	483,075	455,795	521,320	(65,525)
Total Statutory Receipts	\$ 3,712,495	\$ 3,600,812	3,719,406	\$ (118,594)
Expenditures				
Instruction	\$ 1,486,142	\$ 1,455,375	1,509,940	\$ (54,565)
Student Support Services	95,667	102,768	99,050	3,718
Instructional Support Staff	98,195	103,568	96,350	7,218
General Administration	269,056	237,776	219,010	18,766
School Administration	272,828	260,816	277,600	(16,784)
Operations and Maintenance	401,057	367,157	372,500	(5,343)
Transportation	164,647	174,658	218,600	(43,942)
Other Supplemental Service	39,890	52,900	0	52,900
Operating Transfers	885,015	845,793	926,356	(80,563)
Adjustment to Comply With Legal Mix	0	0	(118,594)	118,594
Adjustment For Qualifying Budget Credits	0	0	0	0
Total Expenditures	\$ 3,712,497	\$ 3,600,811	\$ 3,600,812	\$ (1)
Statutory Revenues Over (Under) Expenditures	(2)	1		
Modified Unencumbered Cash - Beginning	1	(1)		
Prior Year Cancelled Encumbrances	0	0		
Modified Unencumbered Cash - Ending	\$ (1)	\$ 0		

SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET
Regulatory Basis
For The Year Ended June 30, 2014
(With Comparative Actual Totals for Prior Year Ended June 30, 2013)

STATEMENT 3-2

SUPPLEMENTAL GENERAL FUND

	Prior Year Actual Transactions	Current Year		
		Statutory Transactions	Budget	Variance Over (Under)
Statutory Revenues				
Taxes in Process	\$ 30,246	\$ 22,798	0	\$ 22,798
Ad Valorem Property Tax	788,658	840,241	7,674	832,567
Delinquent Tax	13,233	7,475	16,598	(9,123)
Other Local Sources	0	0	0	0
Motor Vehicle/RV Tax	114,881	113,290	108,053	5,237
Other County Revenue	383	477	0	477
Machinery & Equipment State Aid	0	0	0	0
Federal Grant - ARRA	0	0	0	0
State Aid	307,180	258,288	254,054	4,234
Total Statutory Revenues	\$ 1,254,581	\$ 1,242,569	386,379	\$ 856,190
Expenditures				
Instruction	\$ 252,948	\$ 293,298	276,600	\$ 16,698
Support Service	13,573	14,478	18,000	(3,522)
Instructional Support Staff	0	0	0	0
General Administration	16,541	11,844	25,250	(13,406)
School Administration	0	0	4,750	(4,750)
Operation and Maintenance	98,669	143,685	171,500	(27,815)
Transportation	62,837	119,153	158,000	(38,847)
Operating Transfers	815,432	677,542	605,900	71,642
Total Expenditures	\$ 1,260,000	\$ 1,260,000	\$ 1,260,000	0
Statutory Revenues Over (Under) Expenditures	(5,419)	(17,431)		
Modified Unencumbered Cash - Beginning	87,115	81,696		
Prior Year Cancelled Encumbrances	0	0		
Modified Unencumbered Cash - Ending	\$ 81,696	\$ 64,265		

SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET
Regulatory Basis
For The Year Ended June 30, 2014
(With Comparative Actual Totals for Prior Year Ended June 30, 2013)

STATEMENT 3-3**SPECIAL PURPOSE FUNDS****AT RISK (K-12) FUND**

	<u>Prior Year Actual</u>	<u>Current Year</u>		<u>Variance Over (Under)</u>
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Transfer from General	\$ 44,840	\$ 53,970	175,000	\$ (121,030)
PLATO	0	0	0	0
Transfer from Supp General	<u>297,996</u>	<u>246,774</u>	<u>170,900</u>	<u>75,874</u>
Total Cash Receipts	\$ <u>342,836</u>	\$ <u>300,744</u>	\$ <u>345,900</u>	\$ <u>(45,156)</u>
Expenditures				
Instruction	\$ 149,771	\$ 263,560	329,500	\$ (65,940)
Support	<u>184,887</u>	<u>41,084</u>	<u>30,700</u>	<u>10,384</u>
Total Expenditures	\$ <u>334,658</u>	\$ <u>304,644</u>	\$ <u>360,200</u>	\$ <u>(55,556)</u>
Receipts Over (Under) Expenditures	8,178	(3,900)		
Unencumbered Cash - Beginning	<u>180,722</u>	<u>188,900</u>		
Unencumbered Cash - Ending	\$ <u>188,900</u>	\$ <u>185,000</u>		

**SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET**

Regulatory Basis

For The Year Ended June 30, 2014

(With Comparative Actual Totals for Prior Year Ended June 30, 2013)

STATEMENT 3-4

SPECIAL PURPOSE FUNDS

CAPITAL OUTLAY FUND

	Current Year			
	Prior Year Actual	Actual	Budget	Variance Over (Under)
Cash Receipts				
Ad Valorem Tax	\$ 133,729	\$ 302,781	296,756	\$ 6,025
Delinquent Tax	1,118	885	2,815	(1,930)
Interest on Idle Funds	5,822	2,534	0	2,534
Other Local Source	13,722	104,877	0	104,877
In Lieu of Taxes	65	171	0	171
Motor Vehicle/RV Tax	9,631	12,082	12,021	61
In Process	2,554	3,866	1,305	2,561
Transfer	344,000	324,999	162,336	162,663
Total Cash Receipts	\$ 510,641	\$ 752,195	\$ 475,233	\$ 276,962
Expenditures				
Instruction Furn/Equip	\$ 0	\$ 0	50,000	\$ (50,000)
Student Support Services	1,438	2,961	0	2,961
Instructional Support	0	0	0	0
General Administration	0	0	0	0
Operations & Maintenance	25,199	131,895	125,000	6,895
Transportation	0	0	0	0
Facility improvements	479,285	738,268	700,000	38,268
Total Expenditures	\$ 505,922	\$ 873,124	\$ 875,000	\$ (1,876)
Receipts Over (Under) Expenditures	4,719	(120,929)		
Unencumbered Cash - Beginning	944,709	949,428		
Unencumbered Cash - Ending	\$ 949,428	\$ 828,499		

SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET
Regulatory Basis
For The Year Ended June 30, 2014
(With Comparative Actual Totals for Prior Year Ended June 30, 2013)

STATEMENT 3-5

SPECIAL PURPOSE FUNDS

DRIVER TRAINING FUND

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
State Aid	\$ 1,953	\$ 2,210	2,990	\$ (780)
Local Sources	5,600	4,600	3,000	1,600
Operating Transfers	0	0	0	0
Total Cash Receipts	\$ <u>7,553</u>	\$ <u>6,810</u>	\$ <u>5,990</u>	\$ <u>820</u>
Expenditures				
Instruction	\$ 6,558	\$ 5,800	9,000	\$ (3,200)
Operations & Maintenance	0	0	0	0
Total Expenditures	\$ <u>6,558</u>	\$ <u>5,800</u>	\$ <u>9,000</u>	\$ <u>(3,200)</u>
Receipts Over (Under) Expenditures	995	1,010		
Unencumbered Cash - Beginning	<u>15,199</u>	<u>16,194</u>		
Unencumbered Cash - Ending	\$ <u>16,194</u>	\$ <u>17,204</u>		

SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET
Regulatory Basis
For The Year Ended June 30, 2014
(With Comparative Actual Totals for Prior Year Ended June 30, 2013)

STATEMENT 3-6

SPECIAL PURPOSE FUNDS**FOOD SERVICE FUND**

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Federal Aid	\$ 145,484	\$ 158,624	144,748	\$ 13,876
State Aid	2,904	2,987	2,514	473
Student & Adult Receipts	86,211	88,657	83,658	4,999
Operating Transfers	53,400	30,000	70,000	(40,000)
Total Cash Receipts	\$ 287,999	\$ 280,268	\$ 300,920	\$ (20,652)
Expenditures				
Food Service Operations	287,554	292,288	334,850	(42,562)
Total Expenditures	\$ 287,554	\$ 292,288	\$ 334,850	\$ (42,562)
Receipts Over (Under) Expenditures	445	(12,020)		
Unencumbered Cash - Beginning	83,588	84,033		
Unencumbered Cash - Ending	\$ 84,033	\$ 72,013		

SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET
Regulatory Basis
For The Year Ended June 30, 2014
(With Comparative Actual Totals for Prior Year Ended June 30, 2013)

STATEMENT 3-7**SPECIAL PURPOSE FUNDS****PROFESSIONAL DEVELOPMENT FUND**

		<u>Current Year</u>		
	<u>Prior Year Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Cash Receipts				
State of Kansas	\$ 0	\$ 0	0	\$ 0
Operating Transfers	600	0	0	0
Total Cash Receipts	\$ 600	\$ 0	\$ 0	\$ 0
Expenditures				
Instructional Services	\$ 571	\$ 5,516	12,500	\$ (6,984)
Total Expenditures	\$ 571	\$ 5,516	\$ 12,500	\$ (6,984)
Receipts Over (Under) Expenditures	29	(5,516)		
Unencumbered Cash - Beginning	27,488	27,517		
Unencumbered Cash - Ending	\$ 27,517	\$ 22,001		

SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET
Regulatory Basis
For The Year Ended June 30, 2014
(With Comparative Actual Totals for Prior Year Ended June 30, 2013)

STATEMENT 3-8**SPECIAL PURPOSE FUNDS****PARENT EDUCATION PROGRAM FUND**

		<u>Current Year</u>		
	<u>Prior Year Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Cash Receipts				
Other District	\$ 0	\$ 0	0	\$ 0
Transfer from General	7,700	7,700	7,700	0
Transfer from Supp General	0	0	0	0
Total Cash Receipts	\$ 7,700	\$ 7,700	\$ 7,700	\$ 0
Expenditures				
Student Support Services	\$ 7,700	7,700	7,700	\$ 0
Total Expenditures	\$ 7,700	\$ 7,700	\$ 7,700	\$ 0
Receipts Over (Under) Expenditures	0	0		
Unencumbered Cash - Beginning	0	0		
Unencumbered Cash - Ending	\$ 0	\$ 0		

SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET
Regulatory Basis
For The Year Ended June 30, 2014
(With Comparative Actual Totals for Prior Year Ended June 30, 2013)

STATEMENT 3-9

SPECIAL PURPOSE FUNDSSPECIAL EDUCATION FUND

	<u>Current Year</u>			
	<u>Prior Year Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Cash Receipts				
State Aid	\$ 0	\$ 0	0	\$ 0
Operating Transfers	813,075	785,795	851,320	(65,525)
Total Cash Receipts	\$ <u>813,075</u>	\$ <u>785,795</u>	\$ <u>851,320</u>	\$ <u>(65,525)</u>
Expenditures				
Instruction	\$ 0	\$ 0	0	\$ 0
General Administration	785,677	773,939	860,807	(86,868)
School Administration	0	0	0	0
Operations and Maintenance	0	0	0	0
Student Transportation	0	0	8,500	(8,500)
Vehicle Operating	16,336	8,183	35,650	(27,467)
Vehicle Maintenance	21,235	16,435	0	16,435
Total Expenditures	\$ <u>823,248</u>	\$ <u>798,557</u>	\$ <u>904,957</u>	\$ <u>(106,400)</u>
Receipts Over (Under) Expenditures	(10,173)	(12,762)		
Unencumbered Cash - Beginning	<u>383,612</u>	<u>373,439</u>		
Unencumbered Cash - Ending	\$ <u>373,439</u>	\$ <u>360,677</u>		

SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET
Regulatory Basis
For The Year Ended June 30, 2014
(With Comparative Actual Totals for Prior Year Ended June 30, 2013)

STATEMENT 3-10**SPECIAL PURPOSE FUNDS****VOCATIONAL EDUCATION FUND**

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Operating Transfers	\$ 98,000	\$ 60,000	\$ 95,000	\$ (35,000)
Total Cash Receipts	<u>\$ 98,000</u>	<u>\$ 60,000</u>	<u>\$ 95,000</u>	<u>\$ (35,000)</u>
Expenditures				
Instruction	\$ 97,014	\$ 78,438	\$ 102,800	\$ (24,362)
Total Expenditures	<u>\$ 97,014</u>	<u>\$ 78,438</u>	<u>\$ 102,800</u>	<u>\$ (24,362)</u>
 Receipts Over (Under) Expenditures	 986	 (18,438)		
Unencumbered Cash - Beginning	<u>98,000</u>	<u>98,986</u>		
Unencumbered Cash - Ending	<u>\$ 98,986</u>	<u>\$ 80,548</u>		

SCHEDULE OF RECEIPTS AND EXPENDITURES
 ACTUAL AND BUDGET
 Regulatory Basis
 For The Year Ended June 30, 2014
 (With Comparative Actual Totals for Prior Year Ended June 30, 2013)

STATEMENT 3-11

SPECIAL PURPOSE FUNDSGIFTS AND GRANTS FUND

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Contributions & Donations	\$ 19,061	\$ 21,375	0	\$ 21,375
Total Cash Receipts	\$ 19,061	\$ 21,375	\$ 0	\$ 21,375
Expenditures				
Instruction	\$ 11,831	\$ 23,857	0	\$ 23,857
Total Expenditures	\$ 11,831	\$ 23,857	\$ 0	\$ 23,857
Receipts Over (Under) Expenditures	7,230	(2,482)		
Unencumbered Cash - Beginning	781	8,011		
Unencumbered Cash - Ending	\$ 8,011	\$ 5,529		

SCHEDULE OF RECEIPTS AND EXPENDITURES
Regulatory Basis
For The Year Ended June 30, 2014
(With Comparative Actual Totals for Prior Year Ended June 30, 2013)

STATEMENT 3-12

SPECIAL PURPOSE FUNDS

HEALTH CARE RESERVE FUND

	Prior Year 2013	Current Year 2014
	<u> </u>	<u> </u>
Cash Receipts		
Interest on Idle Funds	\$ 0	\$ 0
District Contributions	53	0
Other	<u> 0</u>	<u> 0</u>
Total Cash Receipts	<u> 53</u>	<u> 0</u>
Expenditures		
Premiums	4,474	10,859
Premiums Refunded	0	0
Claims	0	0
Miscellaneous Expense	<u> 0</u>	<u> 0</u>
Total Expenditures	<u> 4,474</u>	<u> 10,859</u>
Receipts Over (Under) Expenditures	(4,421)	(10,859)
Unencumbered Cash - Beginning	<u> 36,802</u>	<u> 32,381</u>
Unencumbered Cash - Ending	\$ <u> 32,381</u>	\$ <u> 21,522</u>

**SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET
Regulatory Basis
For The Year Ended June 30, 2014
(With Comparative Actual Totals for Prior Year Ended June 30, 2013)**

STATEMENT 3-13

SPECIAL PURPOSE FUNDS

KPERS RETIREMENT FUND

		<u>Current Year</u>		
	<u>Prior Year Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Cash Receipts				
Employers Payments	\$ <u>235,063</u>	\$ <u>265,323</u>	<u>272,673</u>	\$ <u>(7,350)</u>
Total Cash Receipts	\$ <u>235,063</u>	\$ <u>265,323</u>	\$ <u>272,673</u>	\$ <u>(7,350)</u>
Expenditures				
Benefits	\$ <u>235,063</u>	\$ <u>265,323</u>	<u>272,673</u>	\$ <u>(7,350)</u>
Total Expenditures	\$ <u>235,063</u>	\$ <u>265,323</u>	\$ <u>272,673</u>	\$ <u>(7,350)</u>
Receipts Over (Under) Expenditures	0	0		
Unencumbered Cash - Beginning	<u>0</u>	<u>0</u>		
Unencumbered Cash - Ending	\$ <u>0</u>	\$ <u>0</u>		

SCHEDULE OF RECEIPTS AND EXPENDITURES
Regulatory Basis
For The Year Ended June 30, 2014
(With Comparative Actual Totals for Prior Year Ended June 30, 2013)

STATEMENT 3-14

SPECIAL PURPOSE FUNDS

CONTINGENCY RESERVE FUND

	Prior Year 2013	Current Year 2014
	<u> </u>	<u> </u>
Cash Receipts	\$ 5,400	\$ 0
	<u> </u>	<u> </u>
Expenditures	<u>0</u>	<u>12,233</u>
	<u> </u>	<u> </u>
Receipts Over (Under) Expenditures	5,400	(12,233)
Unencumbered Cash - Beginning	<u>365,835</u>	<u>371,235</u>
Unencumbered Cash - Ending	\$ <u>371,235</u>	\$ <u>359,002</u>

SCHEDULE OF RECEIPTS AND EXPENDITURES
Regulatory Basis
For The Year Ended June 30, 2014
(With Comparative Actual Totals for Prior Year Ended June 30, 2013)

STATEMENT 3-15

SPECIAL PURPOSE FUNDS

CLEARING ACCOUNT FUND

	Prior Year 2013	Current Year 2014
	<u> </u>	<u> </u>
Cash Receipts	\$ <u>20,484</u>	\$ <u>20,908</u>
Expenditures	<u>20,484</u>	<u>20,908</u>
Receipts Over (Under) Expenditures	0	0
Unencumbered Cash - Beginning	<u>0</u>	<u>0</u>
Unencumbered Cash - Ending	\$ <u>0</u>	\$ <u>0</u>

SCHEDULE OF RECEIPTS AND EXPENDITURES
Regulatory Basis
For The Year Ended June 30, 2014
(With Comparative Actual Totals for Prior Year Ended June 30, 2013)

STATEMENT 3-16**SPECIAL PURPOSE FUNDS****TEXTBOOK RENTAL FUND**

	<u>Prior Year 2013</u>	<u>Current Year 2014</u>
Cash Receipts		
Rental Fees	\$ 8,282	\$ 9,160
Transfers	<u>35,436</u>	<u>14,098</u>
Total Cash Receipts	<u><u>43,718</u></u>	<u><u>23,258</u></u>
Expenditures		
Textbooks	37,337	54,981
Other	<u>2,020</u>	<u>0</u>
Total Expenditures	<u><u>39,357</u></u>	<u><u>54,981</u></u>
 Receipts Over (Under) Expenditures	 4,361	 (31,723)
Unencumbered Cash - Beginning	<u>161,998</u>	<u>166,359</u>
Unencumbered Cash - Ending	\$ <u><u>166,359</u></u>	\$ <u><u>134,636</u></u>

SCHEDULE OF RECEIPTS AND EXPENDITURES
Regulatory Basis
For The Year Ended June 30, 2014
(With Comparative Actual Totals for Prior Year Ended June 30, 2013)

STATEMENT 3-17

SPECIAL PURPOSE FUNDS

TITLE I FUND - CURRENT

	<u>Prior Year 2013</u>	<u>Current Year 2014</u>
Cash Receipts		
Reimbursement	\$ <u>79,968</u>	\$ <u>72,237</u>
Total Cash Receipts	<u><u>79,968</u></u>	<u><u>72,237</u></u>
 Expenditures		
Title 1 - Current	<u>79,968</u>	<u>72,237</u>
Total Expenditures	<u><u>79,968</u></u>	<u><u>72,237</u></u>
 Receipts Over (Under) Expenditures	<u>0</u>	<u>0</u>
 Unencumbered Cash - Beginning	<u>0</u>	<u>0</u>
Unencumbered Cash - Ending	\$ <u><u>0</u></u>	\$ <u><u>0</u></u>

SCHEDULE OF RECEIPTS AND EXPENDITURES
Regulatory Basis
For The Year Ended June 30, 2014
(With Comparative Actual Totals for Prior Year Ended June 30, 2013)

STATEMENT 3-18

SPECIAL PURPOSE FUNDS

TITLE I FUND - CARRYOVER

	Prior Year 2013	Current Year 2014
	<u> </u>	<u> </u>
Cash Receipts	\$ <u>14,830</u>	\$ <u>14,111</u>
Disbursements	<u>14,830</u>	<u>14,111</u>
Receipts Over (Under) Expenditures	0	0
Unencumbered Cash - Beginning	<u>0</u>	<u>0</u>
Unencumbered Cash - Ending	\$ <u>0</u>	\$ <u>0</u>

SCHEDULE OF RECEIPTS AND EXPENDITURES
Regulatory Basis
For The Year Ended June 30, 2014
(With Comparative Actual Totals for Prior Year Ended June 30, 2013)

STATEMENT 3-19

SPECIAL PURPOSE FUNDS

TEACHER QUALITY CARRYOVER

	Prior Year 2013	Current Year 2014
	<u> </u>	<u> </u>
Cash Receipts	\$ <u>8,373</u>	\$ <u>8,353</u>
Disbursements	<u>8,373</u>	<u>8,353</u>
Receipts Over (Under) Expenditures	0	0
Unencumbered Cash - Beginning	<u>0</u>	<u>0</u>
Unencumbered Cash - Ending	\$ <u>0</u>	\$ <u>0</u>

SCHEDULE OF RECEIPTS AND EXPENDITURES
Regulatory Basis
For The Year Ended June 30, 2014
(With Comparative Actual Totals for Prior Year Ended June 30, 2013)

STATEMENT 3-20

SPECIAL PURPOSE FUNDS

TITLE II-A-TEACHER QUALITY FUND

	Prior Year 2013	Current Year 2014
	<u> </u>	<u> </u>
Cash Receipts	\$ <u>25,060</u>	\$ <u>27,850</u>
Cash Disbursements	<u>25,060</u>	<u>27,850</u>
Receipts Over (Under) Expenditures	0	0
Unencumbered Cash - Beginning	<u>0</u>	<u>0</u>
Unencumbered Cash - Ending	\$ <u>0</u>	\$ <u>0</u>

SCHEDULE OF RECEIPTS AND EXPENDITURES
Regulatory Basis
For The Year Ended June 30, 2014
(With Comparative Actual Totals for Prior Year Ended June 30, 2013)

STATEMENT 3-21

SPECIAL PURPOSE FUNDS

FEDERAL REAP FUND

	<u>Prior Year 2013</u>	<u>Current Year 2014</u>
Cash Receipts		
Federal Aid	\$ <u>26,505</u>	\$ <u>12,867</u>
Total Cash Receipts	<u>26,505</u>	<u>12,867</u>
 Expenditures		
Other Purchased Services	<u>26,505</u>	<u>12,867</u>
Total Expenditures	<u>26,505</u>	<u>12,867</u>
 Receipts Over (Under) Expenditures	<u>0</u>	<u>0</u>
Unencumbered Cash - Beginning	<u>0</u>	<u>0</u>
Unencumbered Cash - Ending	\$ <u>0</u>	\$ <u>0</u>

SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET
Regulatory Basis
For The Year Ended June 30, 2014
(With Comparative Actual Totals for Prior Year Ended June 30, 2013)

STATEMENT 3-22**BOND AND INTEREST FUND**

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Ad Valorem Taxes	51,566	39,387	37,670	1,717
Delinquent Taxes	853	476	1,045	(569)
In Lieu of Taxes	24	22	0	22
Motor Vehicle Tax	7,293	7,094	6,755	339
Recreational Vehicle Tax	86	85	88	(3)
Machinery & Equipment State Aid	0	0	0	0
State Aid	6,726	5,802	5,802	0
Other	\$ 0	\$ 0	\$ 0	\$ 0
Total Cash Receipts	\$ 66,548	\$ 52,866	\$ 51,360	\$ 1,506
Expenditures				
Bond Principal	\$ 60,000	\$ 60,000	60,000	0
Bond Interest	7,255	4,465	4,466	(1)
Total Expenditures	\$ 67,255	\$ 64,465	\$ 64,466	\$ (1)
Receipts Over (Under) Expenditures	(707)	(11,599)		
Unencumbered Cash - Beginning	81,135	80,428		
Unencumbered Cash - Ending	\$ 80,428	\$ 68,829		

**SUMMARY OF RECEIPTS, EXPENDITURES,
AND UNENCUMBERED CASH**
Regulatory Basis
For The Year Ended June 30, 2014

SCHOOL/DISTRICT ACTIVITY FUNDS**STATEMENT 4**

Fund	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances/ Accounts Pay.	Ending Cash Balance
High School Activity	\$	\$	\$	\$	\$	\$	\$
Band	776		3,053	3094	735		735
Sales Tax	6		4,012	4016	2		2
BAKKEN - Band Uniform	160		0	160	0		0
FBLA	1,346		17,587	18495	438		438
Class of 2016	393		50	0	443		443
Class of 2017	0		450	0	450		450
Class of 2012	771		0	771	0		0
Class of 2013	416		0	100	316		316
Class of 2014	861		4,343	2914	2,290		2,290
Class of 2015	700		8,416	7788	1,328		1,328
Art Club	368		955	889	434		434
Keys	1,424		1,791	2643	572		572
Science Club	324		40	0	364		364
Spanish Club	340		0	0	340		340
Cheerleaders	1,445		0	0	655		655
JH Cheerleaders	0		7,804	8594	411		411
FFA	388		411	0	2,857		2,857
Actor's Guild	9,623		35,665	33196	13,060		13,060
FFA Greenhouse	0		17,673	14236	6,980		6,980
FCCLA	1,094		7,080	100	1,828		1,828
Student Council	4,559		4,278	3544	4,295		4,295
Chicago Band Sponsors	2,522		4,765	5029	0		0
National Honor Society	136		6,010	8532	314		314
FFA Concessions Accounts	777		1,431	1253	917		917
JH Concessions	3,327		9,390	9250	3,185		3,185
JH Fund	4,511		9,787	9929	4,600		4,600
FFA Fair Account	981		1,877	1788	981		981
Subtotal High School	\$ 37,248	\$ 0	\$ 146,868	\$ 136,321	\$ 47,795	\$ 0	\$ 47,795
Other School Funds							
East Library Book Fair	\$ 1,988	\$	3,509	3,500	1,997	\$	1,997
A. R. Store	4,338		1,919	1,393	4,864		4,864
STH Grade	0		6,669	6,169	500		500
Miscellaneous	2,526		2,451	3,007	1,970		1,970
Book Fair	0		842	836	6		6
Show Choir Performances	91		202	293	0		0
Middle School	1,231		0	1,231	0		0
Academic Achievers	157		346	265	238		238
Jazz Band - Trip Funds	102		0	0	102		102
Incentive Programs - RCHS	4,477		1,621	1,372	4,726		4,726
Chicago Band Trip	63,988		47,689	103,491	8,186		8,186
Football - Irrigation	21		0	0	21		21
RCHS Volleyball	1,082		3,692	4,308	466		466
RCJH BB/VB	193		0	140	53		53
Tennis - High School	0		0	0	0		0
Cross - Country	53		789	742	100		100
Jr. High Library	0		0	0	0		0
Subtotal Other	\$ 80,247	\$ 0	\$ 69,729	\$ 126,747	\$ 23,229	\$ 0	\$ 23,229
Gate Receipts							
High School	\$ 2,379	\$	45,958	48,200	137	\$	137
Drama	9,219		2,704	1,470	10,453		10,453
Scholar Bowl	31		470	451	50		50
Junior High	0		0	0	0		0
Subtotal Athletic Receipts	\$ 11,629	\$ 0	\$ 49,132	\$ 50,121	\$ 10,640	\$ 0	\$ 10,640
Fee and User Charges							
USD 109	\$	\$	\$	\$	\$	\$	\$
Vp Ag	0		1,688	1,688	0		0
Science Lab	0		1,373	1,373	0		0
Art	0		2,835	2,835	0		0
Board Office	0		11,961	11,961	0		0
Band	0		3,934	3,934	0		0
FACS	0		670	670	0		0
Math	0		0	0	0		0
Computers	0		630	630	0		0
Subtotal Fee and User Charges	\$ 0	\$ 0	\$ 23,091	\$ 23,091	\$ 0	\$ 0	\$ 0
Total Activity Funds	\$ 129,124	\$ 0	\$ 288,820	\$ 336,280	\$ 81,664	\$ 0	\$ 81,664

See Accountant's Report and Accompanying Notes

UNIFIED SCHOOL DISTRICT NO. 109
Belleville, Kansas

NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

Unified School District No. 109 is a municipal Corporation established under Kansas Statute. All USDs in Kansas are required to be audited under K.S.A. 75-1122. The District is governed by an elected seven member board. The financial statements present the financial condition and results of operation of the district. The District's major operations include primary and secondary education for young people. The scope of the entity for financial reporting purposes is designed as those funds for which the District has oversight responsibility and is primarily accountable. Oversight responsibility includes budgetary authority and fiscal management responsibility. Budgetary authority is defined as authority for final approval of budgetary appropriations and revisions. Fiscal management responsibility is control of the collection and disbursement of funds.

This report is intended solely for the information and use of the Board of Education and management of USD 109, and for filing with the Kansas Department of Administration, Division of Accounts and Reports, and Kansas State Board of Education, and should not be used for any other purposes.

The Kansas Municipal Audit and Accounting Guide will be referred to as KMAAG throughout the notes.

Basis of Presentation

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restricts, or limitations. The following are Regulatory Basis Fund Types:

General fund – the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

Special Purpose fund – used to account for the proceeds of specific tax levies and other specific revenue sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

Bond and Interest fund – used to account for the accumulation of resources, including tax levies, transfers from other funds and payment of general long-term debt.

Capital project fund – used to account for the debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities or equipment.

Business fund – funds financed in whole or in part by fees charged to users of the goods or services (i.e. enterprise and internal service fund etc.)

Trust fund – funds used to report assets held in trust for the benefit of the municipal financial reporting entity (i.e. pension funds, investment trust funds, private purpose trust funds which benefit the municipal reporting entity, scholarship funds, etc.).

Agency fund – funds used to report assets held by the municipal reporting entity in a purely custodial capacity (payroll clearing fund, county treasurer tax collection accounts, etc.).

Basis of Accounting-KMAAG Regulatory Basis of Accounting (Formerly Statutory Basis)

The KMAAG regulatory audit requirement of K.S.A. 75-1122 applies to each individual municipality as defined in K.S.A. 75-1117. The KMAAG regulatory financial reporting entity is comprised of the "municipality" as defined in K.S.A. 75-1117, as a minimum, and may also include certain separate legal entities referred to as "related municipal entities" as defined by KMAAG.

UNIFIED SCHOOL DISTRICT NO. 109
Belleville, Kansas

NOTES TO FINANCIAL STATEMENTS
June 30, 2014

The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

GAAP Basis Financial Statements - Minimum Requirements. GAAP basis financial statements are financial statements prepared in accordance with "Governmental Accounting and Financial Reporting Standards" as promulgated by the Governmental Accounting Standards Board (GASB). For KMAAG purposes, if GAAP basis financial statements are presented, the basic financial statements and notes must be presented at a minimum. All other supplemental schedules are optional. However, the KMAAG mandatory note disclosures (if applicable) must still be presented even though they might not otherwise be required by GAAP to be included in the notes. KMAAG does not provide an example of GAAP financial statements.

Regulatory Basis Financial Statements - Minimum Requirements. If GAAP basis financial statements are not presented, then: 1) a GAAP waiver resolution must be passed, and 2) regulatory basis financial statements including regulatory-required supplementary information, must be presented. Regulatory basis financial statements are financial statements prepared in accordance with the guidelines of KMAAG. Such financial statements are prepared on a basis of accounting which demonstrates compliance with the cash basis and budget laws of the State of Kansas and prepared in accordance with the prescribed format established by KMAAG.

The regulatory basis financial statement consists of a single basic financial statement which is a summary statement containing all funds and related municipalities included in the financial reporting entity and demonstrating compliance with the cash basis law. The remainder of the required financial information to be presented is considered regulatory-required supplementary information which includes 1) a fund summary schedule containing all funds and showing compliance with the budget law for those funds required to be budgeted, 2) individual fund schedules for all funds except agency funds, with budget comparisons for those funds required to be budgeted, 3) a fund summary schedule, for agency funds only, showing cash balances and changes therein, and 4) special schedules unique to the municipality. Note: Regulatory-required supplementary information are the additional schedules that are required to be presented under the provisions of the Kansas Municipal Audit and Accounting Guide and are not to be considered as required supplementary information as defined by auditing standards generally accepted in the United States of America. In addition, the KMAAG mandatory note disclosures must be presented and must include all disclosures necessary for fair presentation in accordance with the KMAAG regulatory basis framework. All other schedules that may be presented are optional.

Departure from GAAP

A waiver from the requirement to prepare and audit GAAP basis financial statements is necessary *only if* the municipality decides to present regulatory basis financial statements. A waiver is not required for financial statements that are prepared in accordance with the GAAP basis framework but include certain departures from GAAP. For example, if GAAP financial statements are presented but do not include the management discussion and analysis, this would be a departure from GAAP. However, even lacking the management discussion and analysis required supplementary information, the basic financial statements may still be presented on a GAAP basis framework, thus a waiver would not be required. The District has approved a resolution that is compliance with K.S.A. 75-1120a(c) waiving the annual for application of GAAP for the year ended 6/30/14. This waiver is completed annually and allows the District to use the regulatory basis of accounting.

The basis of accounting described above results in a financial statement presentation, which shows cash receipts, cash disbursements, cash and unencumbered cash balance, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under generally accepted accounting principles, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end do not constitute

UNIFIED SCHOOL DISTRICT NO. 109

Belleville, Kansas

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. General fixed assets that account for the land, buildings, and equipment owned by the municipality are not presented in the financial statement.

Reimbursed Expenses

The purpose of these expenditures is to repay the district for amounts remitted on behalf of another party and such expenditures are exempt for the budget law under K.S.A. 79-2934. Reimbursed expenses are defined as repayments of amounts remitted on behalf of another party. All reimbursed expenses shown in the financial statements meet the following criteria: 1) the related disbursement was made in the current year on behalf of the payee, 2) the item paid for was directly identifiable as having been used by or provided to the payee, and 3) the amount of the reimbursed expense was directly tied to the amount of the original cash disbursement. The Municipality records reimbursable expenditures in the fund that makes the disbursement and records reimbursements as a receipt to the fund that receives the reimbursement. For purposes of budgetary comparisons, the expenditures are properly offset by the reimbursements under KMAAG regulatory basis accounting.

2013 Financial Data

Amounts that are shown for 2013 in the accompanying financial statements are included where practical, only to provide a basis for comparison with 2014, and are not intended to present all information necessary for a fair presentation in accordance with generally accepted accounting principles.

Cash and Investments

Cash balances from all funds are combined and invested to the extent available in certificates of deposit and other authorized investments. Earnings from these investments are allocated to designated funds. All investments are stated at cost.

Ad Valorem Tax Revenue

The determination of assessed valuation and the collections of property taxes for all political subdivisions in the State of Kansas is the responsibility of the various counties. The County Appraiser's Office annually the determination of assessed valuation and the collections of property taxes for all political subdivisions in determines assessed valuation and the County Clerk spreads the annual assessment on the tax rolls. One-half of the property taxes are due December 20 and distributed to the District by January 20 to help finance the current year's budget. The second half is due May 10 and distributed to the District June 5. The District Treasurer draws all available funds from the County Treasurer's Office at designated times throughout the year.

Budgetary Data

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service fund. The statutes provide for the following sequence and time table in the adoption of the annual operating budget:

- Preparation of the budget for the succeeding calendar year on or before August 1st.
- Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
- Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
- Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increase in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least 10 days after publication the hearing may be held and the governing body may amend the budget at that time. These taxes become a lien against all property November 1st. Taxpayers have the option of paying in full or in two installments. The delinquency dates are December 20 and May 10. Delinquent taxes are assessed interest at 9% per annum. This interest is retained by the County.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit

UNIFIED SCHOOL DISTRICT NO. 109

Belleville, Kansas

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budget receipts and expenditures.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditures authority) lapse at year-end.

A legal operating budget is not required for trust funds, agency funds, and the following special revenue funds: Textbooks and Student Materials, Athletic Gate Receipts and other School Agency/Activity Funds, Fee and User Charges/Clearing Accounts, Contingency Reserve, Employee Benefits, and Federal Funds.

Spending in funds which are not subject to the legal annual operating budget requirement are controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

Inventories and prepaid expenses which benefit future periods are recorded as an expenditures during the year of purchase. For disclosure purposes, material inventories would be reported as an asset offset by a reserve. The district had no material inventories.

A legal operating budget is not for required for the contingency fund, trust and agency funds, and the following special revenue funds: Textbook Rental, Employee Benefit, Title IIA-Teacher Quality, Title I, Federal REAP, Payroll Clearing, Character Education, and Title II-Ed Tech Current.

NOTE B - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Compliance With Kansas Statutes and Other Finance Related Legal Matters

There are no noted violations with such compliance requirements.

NOTE C- DEPOSITS AND INVESTMENTS

Deposits

K.S.A. 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District's funds have a main branch bank in the county in which the District is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The District has no other policies that would further limit interest rate risk. Cash balances from all funds are combined and invested to the extent available in certificates of deposits and other authorized investments. Earnings from these investments are allocated to designated funds. All investments are stated at cost.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Municipality's deposits may not be returned to it. State statutes require the Municipality's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. All deposits were legally secured at December 31, 2013.

At year-end the carrying amount of the district's deposits, including certificates of deposit and money market accounts was \$2,376,468. The bank balance was \$(410,186) and activity operating accounts had a balance of \$81,664. The money market account balance was \$2,783,554. Any differences between the carrying amount and the bank balance are outstanding checks and deposits in transit. Of the bank balance, \$250,000 was covered by FDIC insurance and the remaining balance was collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the district's name. The third-party bank

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holding the pledged securities is independent of the pledging bank. The pledged securities are held under a third-party custodial agreement signed by all three parties: the district, the pledging bank, and the independent third-party banks holding the securities.

Investment Policy

K.S.A. 12-1675 limits the District's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The District has no investment policy that would further limit investment choices. Funds of the district were on deposit in interest bearing accounts in banks and Certificates of Deposits issued by banks at June 30, 2014.

The cash of each of the funds of the district is pooled together so that better management of cash and investments can be practiced, resulting in greater earnings accruing to the district. Please refer to Statement 1 to review how the various funds are accruing interest.

Concentration of Credit Risk

State statutes place no limit on the amount the District may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial Credit Risk – investments

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the Municipality will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

NOTE D- FRINGE BENEFIT PLAN I.R.C. 125

The District has in place an IRS-IRC Section #125 "Cafeteria" Fringe Benefit Plan. The options under the plan are salary reduction options. In addition, each employee may choose to take the benefit in cash, a taxable option. Employees that are eligible for the plan are all full time employees. The plan year runs from October 1 to September 30 annually. The maximum benefit allowance per employee is \$4000/yr and \$2500/yr for the years ended June 30, 2013, and 2014. The maximum for the dependent care reimbursement account is \$5000 annually. Provisions available are:

- Group Health Insurance
- Group Term Life Insurance (\$50,000 maximum) Salary Protection
- Insurance
- Cancer Insurance
- Medical Reimbursement Accounts
- Dependent Care Reimbursement Accounts

NOTE E- CONTINGENT LIABILITIES

The district has computed the unfunded accumulated sick/personal leave costs as of June 30, 2014 and 2013, to be \$478,605 and \$463,920, respectively. The number of employees for the respective years were 68 and 72. Please Refer to Note F for further information on compensated absences.

NOTE F- COMPENSATED ABSENCES

The district's policy is that each qualified classified employee is allowed to accumulate a maximum of 60 days of sick leave, while certified employees reach their maximum at 80 days. In the case of an absence, the employees are reimbursed what their hourly rate or other rate is. In case of retirement, whether classified or certified, you are allowed payment for half of the maximum days accumulated. For certified employees the rate is \$85/day, and 90% of wage for classified. The administration support employees are maxed at \$85/day. Nine and ten month employees receive 9 and 10 sick days annually, while full time employees get 12 days leave time. All classified employees receive 2 other personal days. Employees are not allowed to combine sick or "other days" for a total of more than the maximum allowable. Classified 12 month employees get 5 vacation days after one year of service, 10 days for years of service between two and fifteen years, 15 days after 15 years, and 20 days after 20 years. There is no merit pay provision in the schools negotiated agreement nor is there a good health or absentee benefit.

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June 30, 2014

NOTE G- DEFINED BENEFIT PENSION PLAN

Plan description. The District participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing, multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, etc. seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy. K.S.A. 74-4919 and K.S.A. 74-4921 establish the KPERS member-employee contribution rates. Effective July 1, 2009 KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate of 5% of covered salary for Tier 1 members starting January 1, 2014 and 6% starting January 1, 2015. Tier 2 members remain at 6% of covered salary. Member employees' contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code. The State of Kansas is required to contribute the statutory required employers share. The amount of KPERS Employer Contribution Payments FYE 6/30/2014 was \$265,323.

NOTE H- RISK FINANCING AND RELATED INSURANCE ISSUES

The district is exposed to various risks of loss related to torts; theft of, damage to; and destruction of assets; errors and omissions; injuries to employees; and nature disasters. The district continues to carry insurance for all risks of loss including workers compensation. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

NOTE I- FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value amounts for cash and cash equivalents approximate carrying amounts due to the short maturities of these instruments. Financial instruments that subject the district to significant concentration and credit risk consist of cash and cash equivalents. The district places its cash in market interest rate accounts and are insured fully by FDIC coverage and pledged securities with fair market value equal to or greater than its cash and cash equivalents.

NOTE J- FIDUCIARY/TRUST TYPE FUNDS

The District does not currently have any of these funds in their financial statement FYE 6/30/14.

NOTE K- OTHER POST-EMPLOYMENT BENEFITS

As provided by K.S.A 12-5040, the District allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements. Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the District makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. Currently, the district has 2 members that are covered under such provision, and they will no longer be covered in August of 2015.

NOTE L- IN-SUBSTANCE RECEIPT IN TRANSIT

The District received \$265,182 subsequent to June 30, 2014 and as required by K.S.A. 72-6417 and 72-6434 the receipt was recorded as an in-substance receipt in transit and included as a receipt for the year ended June 30, 2014.

NOTE M- LONG-TERM DEBT

The District is responsible for Series 1999 General Obligation School Bonds. Please refer to Note U for further analysis of the bond issuance and information.

NOTE N- CAPITAL PROJECT COMPLIANCE

The District currently has no capital projects being undertaken.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE O- LITIGATION CONTINGENCIES

The District currently has no litigation contingencies that it is involved in.

NOTE P- COMMITMENT AND CONTINGENCIES

The District receives significant financial assistance from numerous federal and state governmental agencies in the form of grants and state pass through aid. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the District at June 30, 2014.

NOTE Q- SUBSEQUENT EVENTS

These financial statements considered subsequent events through November 10, 2014, the date the financial statements were available to be issued.

Note R - INTER-FUND TRANSACTIONS

Recurring annual transfers between budgetary funds for the purpose of shifting resources from the fund legally required to receive the revenue, to the fund authorized to expend the revenue, have been segregated from normal revenues and expenditures for reporting purposes are are:

<u>FROM</u>	<u>TO</u>	<u>2014</u>	<u>2013</u>
General	Contingency Reserv	\$ 0	\$ 5,400
General	Special Education	455,795	483,075
General	Parent Education	7,700	7,700
General	Capital Outlay	324,999	344,000
General	At Risk K-12	53,970	44,840
General	Vocational Education	3,329	
	Totals	845,793	885,015
Supplemental General	Food Service	30,000	53,400
Supplemental General	Inservice Education	0	600
Supplemental General	Textbooks	14,098	35,435
Supplemental General	Vocational Education	56,671	98,000
Supplemental General	Special Education	330,000	330,000
Supplemental General	At Risk K-12	246,774	297,996
	Totals	677,543	815,431
Summer School	General	0	0
	Totals	1,523,336	1,700,446

The above transfers are included in the expenditures of the disbursing fund and included in the revenues of the receiving fund as required by the Cash Basis and Budget Laws of Kansas, and for budget comparison purposes.

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Note S - INTER-GOVERNMENTAL ASSISTANCE-STATE

<u>Type of Aid</u>	<u>2014</u>	<u>2013</u>
General	\$ 2,321,841	\$ 2,553,557
Supplemental	258,288	307,180
State Safety	2,210	1,953
Food Service Aid	2,987	2,903
Special Ed.	412,660	483,075
GSA Transportation Weighting	113,481	0
Special Ed Transportation Weighting	43,135	0
Capital Improvement	5,802	0
Safe Schools Summit Fee	0	25
School District Capital Improvement	0	6,726
School Wellness	300	
KPERS Employer Cont.	265,322	235,063
Totals	3,426,026	3,590,482

Note T - INTER-GOVERNMENTAL ASSISTANCE-FEDERAL

<u>Type of Aid</u>	<u>2014</u>	<u>2013</u>
Title I Fund	\$ 86,348	\$ 94,798
Title I Carryover	0	0
Food Service	152,892	139,298
Teacher Quality Carryover	0	0
Ed Jobs Fund	0	0
Youth Risk Behavior	100	0
Title II Teacher Quality	36,203	33,433
Title II D Ed. Tech	0	0
Nutrition Training Grant	215	0
Safe Schools Summit Feed	0	0
Fresh Fruits	5,517	6,186
Totals	281,275	273,715

Federal programs in which the school district participated have specified for what purpose funds are to be expended.
All funds unexpended at June 30, 2014 are restricted to federal program specified expenditures.

Note U - BOND ANALYSIS

STATEMENT OF CHANGES IN LONG - TERM DEBT

For the Year Ended June 30, 2014

Issue	Interest Rate	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
General Obligation Bonds Series 2008	4.0 - 5.5%	\$ 675,000	9/1/2014 \$	125,000 \$	0 \$	\$60,000 \$	-\$60,000 \$	\$65,000 \$	\$4,465
TOTAL LONG TERM - DEBT			\$	<u>\$125,000 \$</u>	<u>\$0 \$</u>	<u>\$60,000 \$</u>	<u>-\$60,000 \$</u>	<u>\$65,000 \$</u>	<u>\$4,465</u>

2015

REMAINING

General Obligation Bonds

\$65,000

TOTAL

\$65,000

PAID

General Obligation Bonds

\$610,000